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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/65/519). It also provides a review of the Organization's financial situation as at 31 December 2010 and updated projections based on information as at 10 May 2011.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 31 December 2010, assessments issued during 2010 were lower than at 31 December 2009 for the regular budget and the international tribunals, but higher for peacekeeping operations, while the capital master plan remained the same. Unpaid assessments as at 31 December 2010 were higher than as at 31 December 2009 for the regular budget and peacekeeping operations, but lower for the international tribunals, while the capital master plan remained the same. Overall, although assessments during 2010 were higher by $3.5 billion, unpaid assessments rose by only $0.6 billion.

Cash balances at the end of 2010 were lower than at the end of 2009 for the regular budget, the international tribunals and the capital master plan, but these were more than offset by the increase in the cash balance for peacekeeping operations, resulting in a net increase of $772 million at the end of 2010.

Amounts owed to troop and equipment providers had decreased at the end of 2010 to $539 million from $787 million at the end of 2009, reflecting more payments during 2010.

The 31 December 2010 situation reflected improvement compared with the situation on 31 December 2009. Some indicators reflect continued progress during early 2011. Although unpaid assessments increased slightly for all categories at 10 May 2011 as compared with 10 May 2010, assessments issued increased by

$3.5 billion in 2010, and the amount outstanding had risen by only $938 million as at 10 May 2011. Cash balances are projected to be positive at the end of 2011, although a few peacekeeping missions continue to be affected by cash shortages. Unpaid assessed contributions continue to be heavily concentrated among a few Member States, despite the overall improvement, and the final outcome for 2011 will depend in large measure on the payments that they make during the remainder of 2011.

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/65/519). It also provides a review of the Organization's financial situation as at 31 December 2010 and updated projections based on information as at 10 May 2011.

2. The 31 December 2010 situation reflected improvement compared with the situation at 31 December 2009. Some indicators reflect continued progress during early 2011.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation as at 31 December 2010

4. A review of the financial situation shows decreases in the level of assessments for the regular budget (from $2,499 million at 31 December 2009 to $2,166 million at 31 December 2010) and the international tribunals (from $348 million to $256 million), an increase for peacekeeping operations (from $5,765 million to $9,671 million) and no change for the capital master plan, which remained the same at $341 million. At 31 December 2010, unpaid assessments for the regular budget and peacekeeping operations were higher than at the end of 2009. Unpaid assessments for international tribunals were lower than at the end of 2009, while assessments for the capital master plan remained unchanged in 2010 as compared with 2009.

5. The Secretary-General would like to pay a special tribute to the 25 Member States that had paid in full all assessed contributions due and payable at 31 December 2010 for the regular budget, peacekeeping operations, the international tribunals and the capital master plan: Armenia, Australia, Austria, Burkina Faso, Canada, Chad, Cyprus, Eritrea, Finland, Georgia, Germany, Ireland, Israel, Kazakhstan, Lesotho, Monaco, Mongolia, the Netherlands, New Zealand, Norway, the Republic of Moldova, Singapore, South Africa, Sweden and Switzerland. Other Member States are urged to follow the example of those countries.

A. Regular budget

6. Assessments and payments to the regular budget were both lower in 2010 than in 2009, by $333 million and $431 million, respectively. Unpaid assessed contributions were higher, by $16 million, at $351 million on 31 December 2010 compared with $335 million on 31 December 2009.

7. A total of 138 Member States, however, had paid their regular budget assessments in full by the end of 2010, 2 more than in 2009. The Secretary-General wishes to thank the Member States that had honoured their obligations to the regular budget in full at 31 December 2010 and urges all other Member States to pay their assessed contributions in full as soon as possible.

8. Of the $351 million that remained outstanding at 31 December 2010, more than 99 per cent was owed by five Member States (Hungary, Iran (Islamic Republic of), Mexico, the United States of America and Venezuela (Bolivarian Republic of)) and approximately 1 per cent related to the remaining 49 Member States. A total of 86 Member States had paid their assessments to the regular budget in full by 10 May 2011, compared with 75 by 10 May 2010.

9. The financial position of the regular budget at 10 May 2011 as compared with 10 May 2010 reflected the net result of both higher assessments and lower payments received. There was an increase of $249 million in the regular budget assessment for 2011, while payments received by 10 May 2011 were $101 million lower than those received by 10 May 2010. Unpaid assessed contributions were $366 million higher on 10 May 2011 than a year earlier. The $1.3 billion outstanding on 10 May 2011 was also very highly concentrated, with 11 countries (Brazil, China, Greece, Iran (Islamic Republic of), Japan, Mexico, Poland, Portugal, Spain, the United States of America and Venezuela (Bolivarian Republic of)) accounting for more than 96 per cent of the total. Clearly, the final outcome for 2011 will depend in large measure on action to be taken by those Member States.

10. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid, the Working Capital Fund, to which advances are authorized periodically by the General Assembly, and the Special Account. At the end of 2010, $412 million of cash was available for the regular budget. As at 10 May 2011, that amount stood at $765 million, with another $403 million in the related reserve accounts (the Working Capital Fund and the Special Account). The positive change for the regular budget was due to a net increase in year-to-date receipts. At this stage, it is projected that the regular budget will end the year with a positive cash balance. The final position for 2011 will depend in large measure on the action taken by the above-mentioned 11 countries (see para. 9 above).

B. Peacekeeping operations

11. The unpredictable nature of the demand for peacekeeping activities makes it difficult to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. A comparison between the financial situation of peacekeeping operations and that of the regular budget and the international tribunals is complicated by all of those factors.

12. The total amount outstanding for peacekeeping operations at the end of 2010 was just under $2.5 billion, compared with the approximately $1.85 billion outstanding at the end of 2009. The increase of $608 million is significantly lower than the increase of more than $3.9 billion in assessments during 2010, owing to the nearly $2.3 billion increase in payments received during 2010 compared with 2009. Approximately 83 per cent was owed by nine Member States (Greece, Italy, Japan, the Republic of Korea, Saudi Arabia, Spain, Ukraine, the United Kingdom of Great Britain and Northern Ireland and the United States of America).

13. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully current with them. The Secretary-General wishes to give special thanks to the 27 Member States that had paid all peacekeeping assessments that were due and payable on 31 December 2010: Armenia, Australia, Austria, Burkina Faso, Canada, Chad, Cyprus, Eritrea, Finland, Georgia, Germany, Ghana, Haiti, Ireland, Israel, Kazakhstan, Lesotho, Monaco, Mongolia, the Netherlands, New Zealand, Norway, the Republic of Moldova, Singapore, South Africa, Sweden and Switzerland.

14. Although cash available for peacekeeping at the end of 2010 amounted to more than $3.2 billion, it was divided among the separate accounts maintained for each peacekeeping operation; furthermore, there are restrictions on the use of that cash. In its resolutions on the financing of peacekeeping operations, the General Assembly has specified that no peacekeeping mission shall be financed by borrowing from other active peacekeeping missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing ones. Of the total cash available in peacekeeping accounts at the end of 2010, $2,674 million related to active missions, $414 million to closed missions and the balance of $141 million to the Peacekeeping Reserve Fund.

15. The financial position of peacekeeping operations as at 10 May 2011 showed improvement. New assessments of more than $1.6 billion had been issued by that date. Against this, contributions of more than $2.4 billion had been received, reducing the amount outstanding from just under $2.5 billion to approximately $1.7 billion. In this regard, the Secretary-General wishes to pay special tribute to the 31 Member States that had paid all peacekeeping assessments that were due and payable on 10 May 2011: Australia, Austria, Azerbaijan, Belize, Burkina Faso, Canada, Costa Rica, Croatia, the Democratic People's Republic of Korea, Denmark, Estonia, Finland, Georgia, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Luxembourg, Monaco, Montenegro, the Netherlands, New Zealand, Norway, Singapore, Slovakia, South Africa, Sweden, Switzerland and the United Republic of Tanzania. Subsequently, Jordan paid all peacekeeping assessed contributions due and payable.

16. On the basis of currently available information, the total cash available in peacekeeping accounts at the end of 2011 is expected to amount to approximately $2.4 billion: $2.1 billion in the accounts of active missions, $193 million in the accounts of closed missions and $140 million in the Peacekeeping Reserve Fund. These estimates are based on projected receipts and disbursements and on the Secretary-General's proposed distribution of cash balances in closed peacekeeping operations.

C. International tribunals

17. The financial position of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia improved slightly in 2010. Outstanding assessments for the two tribunals decreased from $37 million at year-end 2009 to $27 million at the end of 2010.

18. The unpaid assessment of $27 million at the end of 2010 was also concentrated, as only three Member States accounted for more than 63 per cent of the total. Much will depend, therefore, on the action taken by those Member States.

19. A total of 98 Member States had paid their assessed contributions for both international tribunals in full by the end of 2010, 7 fewer than at the end of 2010. The Secretary-General wishes to express his appreciation to those 98 Member States that had paid their assessed contributions in full by 31 December 2010 and urges other Member States to follow their example.

20. The financial situation of the international tribunals remained largely unchanged in 2011. By 10 May 2011, 61 Member States had paid their assessed contributions to both tribunals, matching the levels attained by 10 May 2010. Further, payments received after 10 May 2011 resulted in the addition of two Member States, increasing to 63 the number of Member States that had fully paid. Unpaid assessments at 10 May 2011 amounted to $133 million, reflecting a higher level than the unpaid amount of $63 million as at 10 May 2010. Current projections indicate that the tribunals should end the year with positive cash balances. Once again, however, the actual outcome will depend on whether Member States continue to honour their financial obligations to the tribunals.

D. Capital master plan

21. In its resolution 61/251, the General Assembly approved a total budget for the capital master plan of $1.9 billion. Two options were approved by the Assembly to fund the remainder of the project:

(a) A one-time assessment, whereby Member States would settle their total capital master plan assessments in full in 2007, based on the 2007 rates of assessment;

(b) A multi-year assessment, whereby Member States would make equal payments over five years based on the rates of assessment for 2007.

22. Twelve Member States have opted for a one-time payment, with the remaining 180 Member States falling under the multi-year payment system. As at 10 May 2011, 186 Member States had made payments totalling $1.7 billion, with $116 million still outstanding.

23. In addition to the cost of the project, the General Assembly approved the establishment of a working capital reserve of $45 million. The reserve is to be funded from advances from Member States and is apportioned at the rates of assessment for 2007. As at 10 May 2011, 179 Member States had already made payments totalling $44.9 million to the working capital reserve.

24. As at 10 May 2011, 92 Member States had paid in full their assessments due and payable, while another 95 Member States had made partial payments. Regrettably, five Member States have not yet made any payments to the capital master plan.

III. Debt to Member States

25. The amount owed for troops, formed police units and contingent-owned equipment as at 31 December 2010 was $539 million, compared with $787 million at the end of 2009. New obligations are projected to decrease slightly in 2011 compared with 2010, reflecting primarily the closing of the United Nations Mission

in the Central African Republic and Chad, the reduction in the number of military personnel in the United Nations Mission in Liberia and the reduction in the number of police personnel in the United Nations Integrated Mission in Timor-Leste, offset in part by the increased deployment of military and police personnel in the African Union-United Nations Hybrid Operation in Darfur and the deployment of additional military contingents and formed police units in the United Nations Stabilization Mission in Haiti.

26. Taking into account projected new obligations of $2.0 billion and projected payments of just under $2.0 billion, it is projected that debt will have increased slightly to $568 million at the end of 2011. As at 10 May 2011, the amount owed was $728 million, of which approximately 50 per cent was owed to eight Member States (Bangladesh, India, Pakistan, Egypt, the United States of America, Nigeria, South Africa and France). Payments for troop and formed police unit costs are current up to February 2011 for all 11 missions with liabilities for troop and formed police unit costs. Payments for contingent-owned equipment are current up to December 2010 for all missions except for the United Nations Peacekeeping Force in Cyprus (UNFICYP), owing to an insufficient cash level for that mission. Projected payments for 2011 are dependent on the timely finalization of memorandums of understanding. As at 30 April 2011, out of 366 memorandums of understanding for all peacekeeping missions, 32 (8.7 per cent) had yet to be finalized. Naturally, the level of payments will also depend on Member States meeting their financial obligations to the United Nations.

IV. Conclusions

27. There were encouraging signs of progress in the financial position of the Organization at the end of 2010. Some indicators also reflect further progress in 2011. Although unpaid assessments increased slightly compared with one year ago, assessments issued increased by $3.5 billion in 2010 and the amount outstanding had risen by only $938 million as at 10 May 2011. This represents a significant improvement. However, unpaid assessed contributions continue to be heavily concentrated among a few Member States, making the final outcome for 2011 dependent, in large measure, on the action that will be taken by those Member States.

28. The Secretary-General wishes to pay a special tribute to the Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable as at 10 May 2011: Australia, Austria, Azerbaijan, Burkina Faso, Canada, Costa Rica, Croatia, the Democratic People's Republic of Korea, Denmark, Estonia, Finland, Georgia, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Luxembourg, Monaco, Montenegro, the Netherlands, New Zealand, Norway, Singapore, Slovakia, South Africa, Sweden and Switzerland. Other Member States are urged to follow the example of those countries.

29. Furthermore, I am pleased to report that for peacekeeping, payments for troops and formed police unit costs are current up to February 2011 and payments for contingent-owned equipment are current up to December 2010 for all missions except UNFICYP.

30. As always, the financial health of the Organization depends on Member States meeting their financial obligations in full and on time. The Secretariat continues to inform Member States about their contributions, including through an online portal that was launched last year to enable Member States to gain access to information on the status of their contributions.